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Struggle of the Powers in China

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BY T. A. BISSON

with the aid of the Research Staff of the Foreign Policy Association

RECURRING periods of tension in the Far East, each marking more clearly the clashing interests of at least four great powers, indicate the extent to which post-war stabilization in the Pacific has been shattered. One issue succeeds another with bewildering rapidity—the Japanese-sponsored “autonomy” movement in north China, the Soviet-Japanese conflicts on the borders of “Manchoukuo,” the British and American efforts to defend their trade and investments in China against the effects of Japanese smuggling. A complicated and dangerous game of power politics has succeeded the era of relative stability which followed the Washington Conference of 1921-1922. The Nine-Power Treaty, pledging respect for the “open door” and China’s territorial and administrative integrity, has become a dead letter. Limitation of naval armaments has been jeopardized and naval building has been resumed on a vast scale. Thus the two pillars of the treaty structure set up by the Washington Conference, which checked Pacific rivalries for nearly a decade, have collapsed. Step by step, Japan is methodically enforcing its demand for supremacy in Eastern Asia. The continued extension of Japanese military, political and economic influence over China has created a permanent Far Eastern crisis, which is becoming steadily more ominous.

The first phase of this crisis began on September 18, 1931 with Japan’s seizure of Mukden, and ended on February 24, 1933 with adoption of the League Assembly’s report embodying the recommendations of the Lytton Commission. During these eighteen months an attempt was made to achieve a settlement under collective auspices. The League’s machinery, however, worked with great deliberation. Effective action was weakened by Britain’s cautious attitude and by the fact that the U.S.S.R. and the United States were not members of the League, although the latter cooperated to an unusual extent with League measures. Following adoption of the Assembly’s report, the effort to impose collective restraints on Japan virtually

ceased. One negative result was achieved: the League powers and the United States refused to accord legal recognition to Japan’s *fait accompli* in Manchuria. None of the powers, however, was prepared to back up the League’s proposals with action sufficiently effective to halt Japan’s aggression in China. The Far Eastern Advisory Committee, set up by the Assembly on February 24, 1933, busied itself for a few months with a series of innocuous measures,¹ and then lapsed into inactivity.

Abdication by the League ushered in a new and more serious phase of the Far Eastern crisis. At its center still lay Japan’s persistent drive into China, with the threat to treaty rights of third powers. Since early 1933, no clearly defined collective resistance has been offered to this expansionist program. For the most part, counter-strokes to Japan’s blows have been delivered unilaterally by the United States, Britain or the Soviet Union—the three Western powers mainly affected. Similarly, the brunt of the Japanese attack has shifted rapidly from the Soviet borders and Outer Mongolia to north China. At one time the interests of the U.S.S.R. were primarily endangered, at another those of Britain and the United States. Japan, moreover, succeeded in timing its blows to coincide with successive European political crises, thus limiting further the possibility of effective opposition. As the four-cornered struggle of the powers in China enters its fourth year, Japan’s drive toward unchallenged supremacy still pushes forward on all fronts. This report summarizes the salient features of the struggle as it has developed since 1933.

THE AMAU STATEMENT

On April 17, 1934 Eiji Amau, Foreign Office spokesman at Tokyo, delivered a statement to the press which represented a clear-cut expression of

i. For summary of these measures, cf. T. A. Bisson, “The New Status in the Pacific,” *Foreign Policy Reports*, January 17, 1934, p. 264. The United States is represented in a non-voting capacity on the Far Eastern Advisory Committee.

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Japan's claim to exclusive control in China. The significance of the statement lay not only in its broader implications but also in the fact that it called into question specific activities of the Western powers in China during the preceding year.

Following the League Assembly's condemnation of Japan, the early months of 1933 had witnessed a renewed Japanese drive into China.² In March the province of Jehol was overrun by Japanese troops and incorporated into "Manchoukuo." This military advance was carried over into north China, ending on May 31, 1933 with the signature of the Tangku truce by Nanking's representatives. The published terms of this agreement enforced "demilitarization" of the major portion of Hopei province north of the Peiping-Tientsin area. Additional unrevealed terms, apparently designed to regularize the relations of "Manchoukuo" with north China, provided Japan with a charter of aggression in this area which has been continually invoked by Japanese diplomatic and military officials.

At Geneva the Far Eastern Advisory Committee studiously ignored these developments. No protests emanated from Washington or other capitals. During the ensuing year, however, a number of moves were made at Nanking by the Western powers which aroused an increasing measure of suspicion and resentment in Japan. In May 1933 the Chinese Finance Minister, T. V. Soong, visited Washington on his way to the London Economic Conference and arranged for a three-year, 50 million dollar wheat and cotton credit to the Nanking government from the Reconstruction Finance Corporation.³ The fact that some of the proceeds of this loan may have been diverted to military purposes⁴ gave rise to bitter agitation in the Japanese press, although no formal protests were registered at Washington. At this period, moreover, a corps of American aviation experts and technicians, headed by Colonel John H. Jouett, a retired army officer, was training Chinese military pilots at the Hangchow aviation school under a three-year contract.⁵ Toward the end of 1933 the

2. *Ibid.*, pp. 260-61.

3. The loan was made a first charge on China's consolidated excise taxes. In April 1935 Nanking ended the agreement, apparently owing to inability to dispose of the wheat and cotton in China. Of the total amount, \$17,105,385.80 was used. Reconstruction Finance Corporation press release, June 17, 1935.

4. At least 6 million Chinese dollars was apparently expended on aviation. Cf. Arnold J. Toynbee, *Survey of International Affairs, 1934* (New York, Oxford University Press, 1935), p. 648, footnote 1.

5. Their contract expired in the summer of 1935. Of late, Chiang Kai-shek has secured his military aviation experts mainly from Italy. *Christian Science Monitor*, October 3, 1935.

Curtiss-Wright Corporation announced plans for the construction of a five-million dollar airplane plant in China,⁶ which is now turning out 60 military planes a year for the Nanking government.⁷ The sale of American aircraft and accessories to China, which had amounted to \$207,000 in 1932, rose to \$2,359,000 in 1933.⁸ Nationals of other foreign powers, particularly Germany and Italy, were rendering military assistance to Nanking in advisory capacities, while two naval instructors were lent by the British government.

Two further projects for Western aid to China had also attracted Japanese suspicion during this period. On T. V. Soong's recommendation, League collaboration in Chinese reconstruction had been strengthened on June 30, 1933 by the formation of a China Committee, which appointed Dr. Rajchman to coordinate the services of League experts in China.⁹ Aside from road-building, the military aspects of which were directed more against the Chinese Communists than Japan, the nature of the League experts' work was unexceptionable. Dr. Rajchman, however, had been *persona non grata* to Japan since the early phases of the Manchurian dispute. His report to the China Committee, covering the period of his service to April 1, 1934, looked toward a broad expansion of the League's technical assistance to China.¹⁰ In the second case, rumors circulated early in April 1934 that a Chinese financing corporation was to be formed at Shanghai to attract Western—but not Japanese—capital to China.¹¹ The project was fathered by T. V. Soong and other members of the Nanking government, working in collaboration with Jean Monnet, former Deputy Secretary-General of the League, who had been retained by Nanking as a financial adviser.¹²

Against this background of European and American activity in China, which under different circumstances would scarcely have been regarded as abnormal, the Amau statement was

6. *New York Times*, December 8, 1933.

7. *Christian Science Monitor*, February 25, 1936.

8. *China Monthly Trade Report* (Washington, Bureau of Foreign and Domestic Commerce), February 1, 1934, p. 41.

9. League of Nations, *Report of the Technical Agent of the Council on His Mission in China* (Geneva, April 30, 1934), C.157.M.66.1934, pp. 6-7.

10. On March 26, 1934 the Nanking government appropriated 15 million Chinese dollars—three times the amount spent during the preceding two years—for activities in which League assistance was being rendered. *Ibid.*, p. 71.

11. *New York Times*, April 11, 1934.

12. The China Development Finance Corporation was incorporated in May 1933 with a capital of 10 million Chinese dollars. *China Monthly Trade Report*, June 1, 1934, p. 3.

handed to the press on April 17, 1934.¹³ The statement first laid down certain broad principles regarding Japan's "special position and mission" in Eastern Asia. It then noted that Japan was compelled to act "single-handedly" on its responsibility for maintaining "peace and order in Eastern Asia," a responsibility shared only by China. Japan would therefore oppose "any attempt on the part of China to avail herself of the influence of any other country in order to resist Japan" and "any action taken by China calculated to play one power against another. Any joint operations undertaken by foreign powers, even in the name of technical and financial assistance," were "bound to acquire political significance" at this time. More specifically, "supplying China with war planes, building air-dromes in China, and detailing military instructors or military advisers to China or contracting a loan to provide funds for political uses would obviously tend to alienate the friendly relations between Japan, China and other countries and to disturb the peace and order of Eastern Asia." Japan would oppose such projects "as a matter of principle, although she will not find it necessary to interfere with any foreign country's negotiating individually with China on questions of finance or trade as long as such negotiations benefit China and are not detrimental to peace in Eastern Asia."

This declaration of a virtual Japanese veto power over China's foreign relations created an immediate furore in Western chancelleries and elicited widespread press comment in all countries. Official reactions, however, were slow, with the United States holding back until Britain had taken the lead, in contrast to the 1931-1932 period. On April 25 the British Ambassador at Tokyo addressed to the Japanese Foreign Minister what was later termed by Sir John Simon a "friendly inquiry," accompanied by a statement that the Nine-Power Treaty guaranteed "the principle of equal rights in China," which Britain "must, of course, continue to enjoy" in common with other signatories.¹⁵ The Ambassador "assumed" that the Amau statement "was not intended to infringe" these rights or "Japan's own treaty obligations." Foreign Minister Hirota's reply, as summarized in Sir John's statement to the House of Commons on April 30, indicated that this assumption was

correct, that Japan "would observe the provisions of the Nine-Power Treaty," and that the policies of the two governments in regard to this treaty "coincided." Sir John Simon concluded by stating that the reply was "reasonably clear," and that the British government was "content to leave this particular question where it is."

On the same day the State Department published the substance of a communication which the American Ambassador to Japan had delivered to the Japanese Foreign Minister on April 29.¹⁶ In this statement, the Ambassador reaffirmed the treaty rights and interests of the United States, and noted that treaties could "lawfully be modified or terminated only by processes" mutually acceptable to the parties concerned. The American government, he declared, was of the opinion that "no nation can, without the assent of the other nations concerned, rightfully endeavor to make conclusive its will in situations where there are involved the rights, the obligations, and the legitimate interests of other sovereign states."

No reply was made to this statement, and there the matter was allowed to rest. Although Japan had been unable to sustain the full terms of Amau's original pronouncement, the claim to paramountcy in Eastern Asia was not explicitly withdrawn. It merely remained to fill in this claim by acquiring sufficient *de facto* control over China to make it effective.

SALE OF THE CHINESE EASTERN RAILWAY

The Amau statement, in its essential aspects, had laid down a challenge to British and American rights and interests in China. Six months later Japan shifted its attack to the Chinese Eastern Railway issue in Manchuria, which mainly affected the Soviet Union. Negotiations for the sale of this Soviet-owned railway to "Manchoukuo" had been marked by recurrent crises.¹⁸ A new period of tension developed in August 1934, when the Manchurian authorities arrested several score of Soviet railway employees on charges of a "plot" to assassinate high Japanese and "Manchoukuo" officials.¹⁹ Soviet apprehension was further aroused by the continued inability of its representatives in the railway management to assure protection of life and property along the road.

Early in August a report to the governing board of the Chinese Eastern Railway by Ivan Rudi, Soviet general manager, summarized conditions

13. For original text, cf. *New York Times*, April 18, 1934. For an "authentic translation" supplied three days later to Britain by the Japanese Foreign Office, cf. *ibid.*, April 21, 1934, and Toynbee, *Survey of International Affairs*, 1934, cited, pp. 650-51.

15. The details of this inquiry, as well as the substance of Hirota's reply, were communicated to the House of Commons on April 30 by Sir John Simon. For text, cf. John W. Wheeler-Bennett, *Documents on International Affairs*, 1934 (New York, Oxford University Press, 1935), pp. 475-76.

16. U. S. Department of State, *Press Releases*, May 5, 1934, pp. 244-45.

18. For developments to the end of 1933, cf. Bisson, "The New Status in the Pacific," cited, pp. 267-68.

19. *New York Herald Tribune*, August 14, 23, 26, 1934.

from January 1 to August 6, 1934 as follows: 16 trains wrecked by planned damage to the tracks; 91 armed raids on railway stations and barracks; 116 railway employees arrested or kidnapped; 9 bridges damaged; 46 murders, including 9 of railway agents; 102 persons injured, including 83 railway agents; 42 robberies suffered by railway employees; 22 cases of arson affecting railway property; 21 locomotives and 207 coaches damaged; total physical losses of 300,000 gold rubles, apart from the loss in revenue. Mr. Rudi's report concluded by stating that, despite appeals to the "Manchoukuo" military authorities, he had received no aid to supplement the forces at his disposal for the protection of life and property.²⁰

On August 22 the Soviet government delivered a sharp protest note to the Japanese Foreign Minister declaring that "similar, and of late often repeated, demonstrations of the Japanese War Ministry, parallel with actions in Manchuria, testify to the aggravation of the aggressive intentions of some official Japanese circles." Holding the Manchurian authorities and the Japanese government responsible for these actions, the note concluded: "The government of the Union of Socialist Soviet Republics expects that the Japanese government will make all necessary inferences."²¹ This firm stand was backed by vigorous statements in the Soviet press, and the effect was soon apparent at Tokyo. Although the arrested railway employees were not released for several months, Soviet-Japanese tension was considerably eased early in September. Foreign Minister Hirota took advantage of this opportunity to press forward with the sale negotiations, and on September 26 agreement on the price of the railway was reported.²² Further negotiations affecting important details, especially a Japanese guarantee of the payments by "Manchoukuo," occupied six months. The final agreement was signed in Tokyo on March 23, 1935.²³

The sale price of the railway and appertaining properties was fixed at 140 million yen;²⁴ an additional sum, estimated at 30 million yen, was allotted to the Soviet employees of the railway in the

form of retirement allowances and other payments. One-third of the sale price of 140 million yen was made payable in cash, of which one half was to be transferred on the signing of the agreement and the rest in four installments within three years. The remaining two-thirds was met in the form of goods ordered by the Soviet Union within six months from Japan or "Manchoukuo," and delivered over a three-year period.

THE HO-UMEZU AGREEMENT

Two months later, a series of far-reaching Japanese demands was presented to the north China authorities. This *démarche* was timed to take advantage of the European complications precipitated by Chancellor Hitler's reintroduction of military conscription in Germany.

Since the Tangku truce of May 31, 1933, Japan's activities in north China had been relatively moderate and unspectacular. Gradual expansion of Japanese influence had taken place in the Inner Mongolian provinces of Chahar and Suiyuan. Relations between north China and "Manchoukuo," in evident fulfillment of secret provisions of the Tangku truce, had been quietly regularized by the restoration of through railway traffic between Peiping and Mukden, the resumption of postal communications and the establishment of customs posts along the Great Wall. Additional evidences of Nanking's policy in the Peiping-Tientsin area were afforded by the jailing of anti-Japanese students and teachers, the suppression of outspokenly nationalist Chinese newspapers and periodicals, and the weeding-out of anti-Japanese officials.²⁵ This excessive caution proved unable to ward off further Japanese aggression; it stifled popular resistance, and in June 1935 led to outright capitulation on the part of the official authorities.

The crisis was manipulated by Japanese officials, including the notorious Major-General Doihara,²⁶ on the alleged grounds of "anti-Japanese provocations."²⁷ For China the main protagonist was General Ho Ying-ching, War Minister in the Nanking government and acting head of the Peiping Military Council. Preliminary Japanese agitation was backed by menacing troop movements, as well as airplane flights over Peiping. On June 9 a memorandum containing nine items accompanied by a "final warning" was transmitted to General Ho

20. *Ibid.*, August 12, 1934.

21. *New York Times*, August 24, 1934.

22. *Ibid.*, September 26, 1934.

23. The sale agreement and two protocols were supplemented by an exchange of notes between the U.S.S.R. and Japan, by which the latter guaranteed fulfillment of the sale terms by "Manchoukuo." For texts of these documents, cf. Violet Conolly, *Soviet Trade from the Pacific to the Levant* (New York, Oxford University Press, 1935), Appendix VIII, pp. 200-20.

24. This figure compares with the original Soviet demand of some 600 million yen and the original Japanese offer of 50 million yen.

25. *New York Times*, June 9, 1935.

26. Doihara was chief of the Intelligence Section of the Kwantung Army, and had been active in every forward move in China since September 18, 1931.

27. For a list of these alleged provocations, some of which went back to 1932, cf. Hugh Byas, *New York Times*, May 31, 1935.

Ying-ching from Lieutenant-General Yoshijiro Umezu, commander of the Japanese forces in north China. This document presented the following demands: removal of Yu Hsueh-chung, governor of Hopei province, and his Fifty-first Army; discharge of certain Peiping and Tientsin officials; withdrawal from Hopei province of the Third Regiment of gendarmes, and the Second and Twenty-fifth divisions of regular government troops; dissolution of the Blue Shirt organization and the political training department of the Peiping Military Council; suppression of Kuomintang party organs in Hopei province; prohibition of anti-Japanese activities; and acceptance of Japanese advice in Hopei provincial and city official appointments.²⁸ These demands were accepted in full by General Ho Ying-ching, and were for the most part carried out within a week.²⁹

The enforcement of these measures, along with similar changes effected in Chahar province during this period,³⁰ markedly reduced Nanking's political and military influence in north China. All central government troops stationed in the north were included in the units forced to withdraw, and Kuomintang party organs ceased to function in Hopei and Chahar provinces. This notable change in the political status of north China was carried through with virtually no opposition from the Western powers.

THE CRISIS AT NANKING

A set of threatening political and economic difficulties, which had slowly gathered force over a long period, confronted the Nanking government with a critical emergency in the autumn of 1935. Ho Ying-ching's surrender in north China had strengthened popular opposition to Nanking's foreign policy, which had been nominally controlled since early 1932 by Premier Wang Ching-wei, with Generalissimo Chiang Kai-shek in the background. Equally pressing economic and financial problems had been created by the long-continued trade decline and the large outflow of silver. The storm broke early in November, when both elements of the situation reached a climax simultaneously. On November 1 Wang Ching-wei was shot by an assassin and seriously wounded at the opening of a Kuomintang plenary session at Nanking; two days later the government suddenly announced a new monetary program, involving substitution of a

28. For text, cf. *China Today* (New York), May 1936, p. 150.

29. Cf. *New York Times*, *New York Herald Tribune*, June 9-12, 1935.

30. For events in Chahar, cf. T. A. Bisson, "Outer Mongolia: A New Danger Zone in the Far East," *Foreign Policy Reports*, November 20, 1935, pp. 227-29.

managed currency for the traditional silver standard. The first of these events led to the most thoroughgoing shake-up in government and party offices in nearly four years; the second gave rise to a new series of international complications.

Since the reorganization of the Nanking régime in January 1932, which brought Wang Ching-wei's group into the ruling circle,³² Chiang Kai-shek had been continuously occupied with two major political problems: the Communist opposition and Japanese aggression. In November 1934 Nanking's anti-Communist operations finally succeeded in ousting the main Red armies from their Kiangsi and Fukien provincial strongholds, which had been maintained for six years. Despite a vast concentration of nearly half a million government troops, aided by the new airplane bombers purchased abroad, Chiang Kai-shek failed in his main objective of surrounding and annihilating the Communist armies. Under Mao Tse-tung and Chu Te these forces escaped from the net, marched westward across sections of five provinces, and entered Szechuan province in the early spring of 1935. In June they effected a juncture at Tienchwan, in western Szechuan, with the second largest Chinese Communist army. Several months later these combined Red armies began a northward movement designed to clear a path for part of their forces into north China.³³

In dealing with the successive Japanese encroachments, Chiang Kai-shek had consistently sought to achieve compromise settlements on the best terms possible. Nanking's military forces had never been mobilized against Japan, even in the crises which led to the Tangku truce and the Ho-Umezu agreement. This policy was defended on the ground that political unity had to be established under the aegis of the central government before effective resistance could be offered Japan. Eventual military resistance by Nanking, it was claimed, was only a matter of time.³⁴ On the other hand, Chiang Kai-shek had drastically suppressed all anti-

32. Cf. T. A. Bisson, "Ten Years of the Kuomintang: Revolution vs. Reaction," *Foreign Policy Reports*, February 15, 1933, pp. 300-02.

33. For details of the Communist strategy and movements, cf. *Far Eastern Survey* (American Council, Institute of Pacific Relations), August 14, 1935, pp. 123-29; April 22, 1936, pp. 88-89.

34. More recently, increased purchases of arms and aircraft from the United States have been pointed to as signs of military preparation against Japan. For the first five months of 1936, China purchased somewhat over \$5,000,000 worth of such equipment in the United States. (U. S. State Department, *Press Releases*, February 8, 1936, p. 147; March 14, p. 240; April 11, p. 304; May 9, p. 430; June 13, p. 597.) There have also been reports of a secret agreement by which Germany is to supply Nanking with 30 million dollars worth of munitions. *New York Times*, June 28, 1936.

Japanese protest movements within China, whether of a military or civilian character. The humiliating terms of the Tangku truce stimulated an anti-Japanese campaign in north China, headed by Feng Yu-hsiang and Fang Chen-wu, which succeeded in capturing Dolonor in the summer of 1933. Faced with opposition from Nanking, as well as from Japanese forces, this movement soon collapsed. Toward the end of 1933 a second revolt, which also represented a protest against Nanking's non-resistance policy, broke out in Fukien province. The Fukien revolt was headed by the Nineteenth Route Army, the Cantonese force which had defended Shanghai against Japan two years earlier. After a swift campaign, however, it was crushed early in 1934.³⁵

Throughout this period, the exigencies of the combined effort to eliminate the Communist threat and suppress the anti-Japanese movement tended to reinforce the authoritarian character of the Nanking régime. From the beginning Chiang Kai-shek had based his military dictatorship on the support of bankers and industrialists of the port cities, especially Shanghai, and landlords in the rural districts. Army supremacy, abrogation of civil liberties, strict control of labor unions and a drastic "white terror" were normal features of the dictatorship. After 1933, however, the Fascist concepts of the German and Italian military advisers at Nanking, as well as the examples set by the countries they represented, were reflected even more clearly in governmental policy.³⁶ Labor conscription, never wholly absent in China, was applied under government auspices on a national scale, especially in road-building and dike-construction projects.³⁷ Chiang Kai-shek's secret terrorist organization, the so-called "Blue Shirts," was set up as a direct agency of the government. It has stifled liberal and left-wing opposition, suppressed labor strikes and unrest, removed dangerous political opponents of the régime and tightened up discipline among subordinate army officers. Although the "Blue Shirts" were driven from north China at Japan's demand, they have at times been used to suppress Chinese elements engaged in the anti-Japanese struggle. Finally, the New Life Movement, inaugurated by Chiang Kai-shek and fostered by nation-wide propaganda, represented a Fascist effort to divert popular attention from miserable economic conditions.

35. Bisson, "The New Status in the Pacific," cited, pp. 262-63.

36. Cf. G. E. Taylor, "The Nanking Government," *New Statesman and Nation* (London), June 6, 1936, pp. 885-86.

37. Article 22 of the new draft constitution, as amended, subjects every citizen to the duty of performing both military and labor service. For text of the draft constitution, cf. *North-China Herald*, May 13, 1936, pp. 262, 297-98.

Attributing the poverty of the people to the loss of the ancient Confucian virtues—propriety, justice, integrity and conscientiousness—the New Life Movement sought to encourage the revival and practice of these old virtues as a substitute for genuine economic reforms.

Although dominated at all points by Chiang Kai-shek, the dictatorship functioned through a number of titular leaders, of whom Wang Ching-wei was the most prominent. As Premier and Foreign Minister, Wang Ching-wei was forced to shoulder responsibility for Nanking's policy of non-resistance to Japanese aggression. The attack on his life, which occurred at Nanking on November 1, 1935, thus sharply raised the whole Japanese issue before the Kuomintang plenary session, especially since Japanese pressure had been renewed in north China.

An unusually representative group of Chinese military and political leaders had assembled at Nanking for the plenary session and the National Kuomintang Congress. In addition to the northern generals, Feng Yu-hsiang and Yen Hsi-shan, a strong delegation attended from the Southwest Political Council at Canton. Both elements exerted pressure on Chiang Kai-shek to broaden the government's authority by establishing unity on the basis of an anti-Japanese platform. Although Feng Yu-hsiang accepted the post of vice-chairman of the Military Affairs Council, no agreement was reached with the Cantonese delegates.³⁸ The reorganization of the government in December actually narrowed its political base. Chiang Kai-shek himself took over the Premiership, from which Wang Ching-wei had resigned. As Chiang already headed the Military Affairs Commission, in addition to the major Kuomintang committees, he had thus assumed virtually single-handed direction of the political and military branches of the government. New cabinet posts were allotted to his closest supporters, including two bankers³⁹ and the military governor of Hupeh.⁴⁰ These three ministers and the new Minister of the Interior, Chiang Tso-pin, were all educated in Japan. Although Chiang Kai-shek weathered the political storm by means of these changes, there was no assurance of greater internal unity or of a firmer stand toward Japan.

Meanwhile, equally important events had taken place in the economic sphere. Since 1931, when a

38. Chow Lu, prominent member of the Southwest Political Council, had been slated as chairman of the Examination Yuan, but failed to assume office. *North-China Herald*, December 11, 1935, p. 426.

39. Chiang Chia-ngau, Minister of Railways; Wu Ting-chang, Minister of Industry.

40. General Chang Chun, Minister of Foreign Affairs.

drastic decline in China's foreign trade set in, the Nanking government had been wrestling with problems incident to the depression. During these years China experienced severe internal deflation, bankruptcies, growing unemployment, a flight of capital and a fall in government revenues. The American silver purchase policy, inaugurated in June 1934, markedly intensified China's economic difficulties.⁴¹ Official Chinese protests to Washington failed to secure relief. Unable to stem the loss of silver, which was being smuggled from the country in vast quantities, the Nanking government finally abandoned the silver standard on November 3, 1935. By official decree, the country's silver was nationalized and a managed paper currency was instituted.⁴²

Announcement of the monetary program was greeted with a chorus of denunciation in Tokyo, centering on the alleged rôle played in this move by Sir Frederick Leith-Ross, British treasury expert.⁴³ The Leith-Ross mission had been the outcome of an appeal to London by the Chinese authorities in March 1935, on the basis of which Britain had attempted to arrange joint consideration of China's finances with the United States, Japan and France.⁴⁴ In September Sir Frederick had visited Tokyo in a final effort to secure Japanese assistance in stabilizing China's financial situation, which had become a source of acute anxiety to British investors and bondholders. Although a loan project to maintain Chinese exchange at a fixed ratio to the pound was apparently broached at these conferences, Leith-Ross left Japan on September 18 without having obtained Japanese cooperation.⁴⁵ He then went on to China, where he had discussed questions related to currency reform with Nanking government officials prior to November 3.⁴⁶ In later declarations, however, he maintained that the monetary program of November 3 was an independent step by Nanking, for which he "had no responsibility."⁴⁷ Certain Japanese circles alleged that a British loan had underwritten the currency reform program, but these statements were categorically denied by Sir Frederick Leith-Ross.⁴⁸ Nanking's action, however, was thoroughly

41. For a detailed analysis, cf. John Parke Young, "The United States Silver Policy," *Foreign Policy Reports*, July 1, 1936, pp. 102-05.

42. For text of the decree, cf. *North-China Herald*, November 6, 1935, p. 242.

43. *New York Times*, *New York Herald Tribune*, November 5, 1935.

44. Britain had communicated Nanking's request for a loan of 20 million pounds to the other interested powers.

45. *New York Times*, September 18, 1935.

46. *North-China Herald*, November 13, 1935, p. 276.

47. Cf. "Statement made by Sir Frederick Leith-Ross at Shanghai on Monday, June 22, 1936," press release.

approved by Sir Frederick and was immediately followed on November 4 by regulations issued by the British Ambassador, which backed up the reform by prohibiting British persons and corporations from making payments in silver on pain of fine or imprisonment.⁴⁹ Japanese opposition to the reform, as well as certain measures which the United States was forced to adopt, added fresh complications to the international struggle over China.

"AUTONOMY" FOR NORTH CHINA

At the end of October 1935, the month which marked the beginning of hostilities in Ethiopia, Japan had already served notice that it was preparing another forward move in north China. Shigeru Kawagoe, Japanese Consul-General at Tientsin, presented a note to the north China authorities on October 29 demanding stricter enforcement of the terms of the Ho-Umezawa agreement.⁵⁰ On the same day the Japanese Ambassador, Akira Ariyoshi, issued a statement at Shanghai deplored the "present unsettled conditions" in "the five northern provinces," and calling for the establishment in north China "of a stable and reliable government of genuine permanency."⁵¹ Immediate action along these lines had been temporarily sidetracked by the attack on Wang Ching-wei and the promulgation of Nanking's currency edict. Their determination reinforced by this latter step, interpreted as new evidence of Western "interference" in Chinese affairs, the Japanese renewed their pressure on north China in the middle of November.

As foreshadowed by Ambassador Ariyoshi's statement, the project thus set in motion envisaged the formation of a special political régime for the five northern provinces—Hopei, Shantung, Shansi, Chahar and Suiyuan. Negotiations toward this end were conducted by Major-General Doihara with the Chinese military and political leaders of these provinces. Japanese troops were mobilized in force on north China's borders, and Major-General Doihara threatened to move eleven divisions into Hopei and Shantung provinces.⁵² On November 18 it was confidently predicted that the formation of an "autonomous" régime in north China was imminent, and that the Chinese leaders of the five northern provinces were prepared to sign the "dec-

48. *North-China Herald*, November 13, 1935, p. 276.

49. For text, cf. *ibid.*, November 6, 1935, pp. 222, 243.

50. *New York Herald Tribune*, October 29, 1935.

51. *New York Times*, October 30, 1935. This move had been prepared at a series of conferences of the Japanese diplomatic, naval and military officials in China, which ended at Shanghai on October 21 in full agreement on a "new policy" toward Chinese questions. *China Weekly Review* (Shanghai), October 19, 1935, p. 224; October 26, 1935, p. 262.

52. *New York Herald Tribune*, November 19, 1935.

laration of independence."⁵³ On November 21, however, the five-province movement suddenly collapsed. Three days later an "autonomous" régime, headed by Yin Ju-keng, was set up in the region of northern Hopei, which had been "demilitarized" by the Tangku truce.⁵⁴ The ultimate status of the rest of north China remained in doubt for several weeks. On December 7 a compromise settlement arranged by General Ho Ying-ching, Nanking's War Minister, provided for the establishment at Peiping of the Hopei-Chahar Political Council, headed by General Sung Cheh-yuan.⁵⁵ This Council, composed in large part of old-line Chinese officials favorable to Japan, was formally inaugurated on December 18. Although the Council was subject to strong Japanese influence, its connections with Nanking were not openly severed. Thus the north China crisis had given rise to two new governments: the "autonomous" régime of Yin Ju-keng in northern Hopei, and the "semi-autonomous" Hopei-Chahar Council. This result, however, fell far short of realizing the ambitious five-province "autonomy" scheme launched by Major-General Doihara in November.

A number of factors were responsible for the set-back to Japan's attempt to detach the five northern provinces from the rest of China. No enthusiasm for a Japanese-sponsored "autonomy" was manifested by the key military leaders of north China, especially General Han Fu-chu of Shantung and General Yen Hsi-shan of Shansi. In the face of this obvious Chinese reluctance, Major-General Doihara—or his superiors—showed no intention of embarking on the formidable task of conquering north China. Troop reinforcements were eventually sent in to the Peiping-Tientsin area, but actual military operations were limited to minor diversions at Tangku and Kalgan. Opposition to the "autonomy" project, moreover, developed both in Britain and the United States. On November 19 Under Secretary of State Phillips conferred with Sir Ronald Lindsay, the British Ambassador,⁵⁶ and on December 5 declarations were made at nearly the same hour by Sir Samuel Hoare, British Foreign Minister, and the American Secretary of State, Cordell Hull. Referring to the effort being made "to bring about a substantial change in the political status and condition of several of China's northern Provinces," Secretary Hull called attention to American treaty rights and interests in that area and besought "respect by all nations for the provisions of treaties solemnly entered into . . ."⁵⁷

53. *New York Times*, November 19, 1935.

54. *Ibid.*, November 25, 1935.

55. *Ibid.*, December 8, 1935.

56. *Ibid.*, November 20, 1935.

More significant than any of these factors was the revival of the Chinese student movement in the Peiping-Tientsin area. Like the earlier student uprising which drove the Japanese-dominated Anfu clique from office in 1919, this movement also confronted a Chinese officialdom that was surrendering the nation's interests to Japan. Its first act, following organization of the Peiping-Tientsin Students' Union in October, was to address an appeal on November 1 to the Kuomintang plenary session at Nanking. Denouncing Kuomintang absolutism, this petition demanded freedom of press, speech, organization and public assembly, as well as guarantees against the arrest of students without due process of law. These demands were supported by an impressive indictment summarizing characteristic actions of the Nanking dictatorship in relation to students: university discussion groups closed down, and their members arrested; student dormitories raided by the police; publications suppressed and burned; thousands of Chinese youths executed since 1927, while the number abducted and imprisoned was "beyond calculation."⁵⁸ The concluding phases of the north China "autonomy" movement were marked by mass student demonstrations protesting against the "autonomy" program and calling for immediate organization of united Chinese military resistance. Hundreds of the students were brutally beaten by the Chinese police, many were seriously injured, and scores arrested.⁵⁹ Before the end of December, the student movement had reached nation-wide proportions, with demonstrations as far south as Canton, and inland at Taiyuanfu, Hankow and Chengtu.

ANGLING FOR CHINA'S SILVER

For several reasons, Nanking's desertion of the silver standard was as unwelcome to the United States as to Japan. It delivered the *coup de grâce* to the argument, assiduously propagated by the Senators of silver-producing states, that the American silver purchase policy would "enhance China's purchasing power." This policy had led in practice to remorseless deflation of Chinese economy, ending in the enforced abandonment of its traditional currency basis. In the second place, demonetization of China's silver permanently removed from the market the last *bona fide* purchaser of the world's silver production. Impelled by legislative mandate, the American Treasury had thus

57. U. S. Department of State, *Press Releases*, December 7, 1935, pp. 487-88.

58. *Christian Science Monitor*, December 24, 1935.

59. For a detailed account of the first stage of the student movement in Peiping, cf. *China Weekly Review*, December 28, 1935, pp. 130-33.

become virtually the sole purchaser of silver in the world market. In the third place, Nanking's new monetary program, under the conditions which prevailed in November 1935, might be expected to result in linking the Chinese currency to sterling, thus affording Britain an advantageous position in the China market. This possibility was pointedly referred to in statements made to the press by some of the leading silver Senators.⁶⁰

These various results of the silver purchase policy each stood on a different footing. The losses sustained by China's economic life could not be made good, and slight hope existed of inducing China to revert to the silver standard. The issue relating to Britain, however—in effect an episode in the Anglo-American currency war—lent itself to summary treatment, and it was so handled. In this respect, Nanking's currency move had given rise to a thoroughly anomalous situation. The Nanking treasury was faced with the necessity of securing funds to maintain the exchange value of its managed currency. Unable to obtain a foreign loan, it was forced to dispose of a portion of the silver stocks acquired through nationalization. Under prevailing conditions these silver sales were made through the London market, thus building up a sterling reserve for the Chinese currency. Since the United States was the principal buyer in this market, it was in effect "financing the establishment of a more intimate tie between the Chinese dollar and the pound sterling."⁶¹

Unwilling to allow this situation to continue, the American Treasury halted its silver purchases in the London market on December 10. Cessation of trading and a temporary chaos in this market resulted. Two days later, the Secretary of the Treasury revealed that the United States was curtailing its purchases in London and transferring part of its purchasing operations to a number of other markets.⁶² As a result of this policy, the world price of silver declined in the following month to approximately 45 cents an ounce, at which price it has subsequently been maintained. At the invitation of the American government, a Chinese financial delegation visited the United States in the spring of 1936. In May Secretary Morgenthau announced that the Treasury had reached an agreement with this delegation to make "substantial purchases" of silver from China. The proceeds of the purchases, it was stated, would be maintained chiefly in New York and used for Chinese currency stabilization purposes.⁶³ By June 10, under the terms of this agree-

ment, Nanking had shipped silver valued at 60 million Chinese dollars to the United States.⁶⁴ Thus, such foreign control over China's currency as may exist will rest in American rather than British hands.

SOVIET-JAPANESE BORDER CONFLICTS

Toward the end of 1935 Japan effected the most spectacular of the many recent shifts in the direction of its continental drive. With the formation of the Hopei-Chahar Council in mid-December, the north China "autonomy" issue was quietly shelved for future reference. Almost immediately a series of incidents began to occur on the Soviet and Outer Mongolian borders of "Manchoukuo." In addition to quieting British and American apprehensions aroused by the "autonomy" movement, these incidents served the purpose of forcing the U.S.S.R. to reveal its hand regarding Outer Mongolia—a primary objective of the militant Japanese army circles in Manchuria.

The approaching storm was heralded on December 17 by a Moscow dispatch which reported that the Kwantung Army was preparing provocative measures against Outer Mongolia.⁶⁵ Two days later a Manchurian-Mongolian clash occurred south of Lake Buir Nor, scene of hostilities earlier in the year.⁶⁶ Following this clash, statements by Japanese military authorities disclosed that "Japan's army in Manchuria, with or without the consent of the Tokyo Government, had embarked on a definite campaign of military pressure on Outer Mongolia."⁶⁷ The Outer Mongolian government, several of whose political and military leaders were then conferring in Moscow with high Soviet officials, exhibited a strong determination to resist every encroachment. On December 23 the Mongolian People's Republic presented an official protest to the "Manchoukuo" authorities, ending with this statement: "The Mongolian government feels in duty bound to warn the government of Manchukuo of the grave consequences which may result from further attacks by border details, and lays the full responsibility on the government of Manchukuo and the government of Japan, whose troops actively and directly participated in the border raids."⁶⁸

Through January and February a constant succession of border incidents occurred, at one time

64. *New York Times*, May 19, 1935.

65. *Ibid.*, June 11, 1936.

66. *New York Herald Tribune*, December 18, 1935.

67. For previous events, cf. Bisson, "Outer Mongolia: A New Danger Zone in the Far East," cited, pp. 229-31.

68. *New York Times*, December 23, 1935.

69. *New York Herald Tribune*, December 24, 1935.

involving hostilities on the Manchurian-Siberian frontier, at another on the Manchurian-Mongolian frontier. Efforts to establish a joint border commission to handle these disputes, proposed on February 24 by B. S. Stomoniakov, Soviet Vice-Commissioner of Foreign Affairs,⁷⁰ were held in abeyance following the assassinations at Tokyo. For several weeks no further incidents occurred, and negotiations were resumed in March on the basis of a Japanese proposal to delimit a section of the Soviet-Manchurian frontier in the northeast. This proposal was tentatively accepted on March 17 by the U.S.S.R., with the suggestion that the commission's competence be extended to the whole of the border regions, including those of Outer Mongolia.⁷¹ As in the case of the Chinese Eastern Railway issue, the Tokyo Foreign Office was much more inclined toward reaching a settlement than were the Kwantung Army circles in Manchuria. Meanwhile, in an interview given to Roy W. Howard at Moscow on March 4, Joseph Stalin had stated categorically that the Soviet Union would come to the aid of Outer Mongolia in case it were attacked by Japan.⁷² On March 27 unconfirmed reports of a treaty of mutual assistance between the U.S.S.R. and Outer Mongolia were made public.⁷³ These reports were followed immediately by the most serious clash on the Manchurian-Outer Mongolian frontier that had yet occurred.

According to Mongolian reports of March 31, a force of several hundred Japanese-Manchurian troops, equipped with airplanes, tanks and heavy artillery, penetrated 28 miles south of Lake Buir Nor into Outer Mongolia. After severe fighting, marked by heavy casualties on both sides, they were driven back across the border.⁷⁴ The Tokyo Foreign Office was not immediately informed of the hostilities; on April 2, however, a Kwantung Army communiqué asserted that the fighting had occurred 12 miles north of Lake Buir Nor in Manchurian territory.⁷⁵ This hiatus between Tokyo's diplomatic and military circles was pointedly alluded to in a Soviet protest on March 31, which warned the Japanese government that it assumed grave responsibility if it permitted the actions of "subordinate organs" to intensify existing friction.⁷⁶ On April 8, one week after this conflict, the text of a mutual assistance pact between the U.S.S.R. and Outer Mongolia, signed at Ulan Bator on March

70. *Christian Science Monitor*, February 24, 1936.

71. *Ibid.*, March 17, 1936.

72. *New York Times*, March 5, 1936.

73. *Christian Science Monitor*, March 27, 1936.

74. *New York Times*, April 1, 2, 1935.

75. *Ibid.*, April 2, 1936.

76. *Ibid.*, April 1, 1936.

12, was published at Moscow.⁷⁷ The preamble to this pact revealed that a "gentlemen's agreement" for mutual assistance in case of attack had existed between the two countries since November 1934. Conditions in the border areas now improved, and on April 28 agreement was reached for setting up two Soviet-Japanese border commissions—one to investigate and settle frontier disputes, the other to verify the boundary.⁷⁸ The U. S. S. R. accepted the Japanese contention that these commissions should deal with but part of the Manchurian-Siberian frontier, a stretch of some 200 miles running from Lake Khanka to the Korean border. It was apparently understood, however, that commissions might be appointed later for the rest of the frontier. Separate negotiations, under more favorable auspices, had meanwhile been instituted on April 6 between Mongolia and "Manchoukuo."⁷⁹

SMUGGLING AND ITS REPERCUSSIONS

By the end of April the storm center had once more shifted to north China. A new phase of Japanese penetration in this region, employing the technique of mass smuggling, threatened to undermine both Chinese and Western interests. From the coasts of Yin Ju-keng's puppet state in the "demilitarized" zone, as well as overland from "Manchoukuo," vast quantities of Japanese sugar, rayon, cotton cloth, salt, opium, kerosene and gasoline poured into north China. Tariffs levied on the smuggled commodities by Yin Ju-keng's East Hopei "autonomous" régime averaged one-fourth of the Chinese customs rate, although goods entering from Manchuria often escaped all duty.⁸⁰

These smuggling operations seriously affected the position of Western powers in China's foreign trade. The Bank of China estimated that in 1935, before smuggling reached its height, the value of illicit Japanese goods entering China totaled 63 million dollars. Adding Japan's legitimate exports, the aggregate value of Japanese goods sold to China in 1935 exceeded 100 million dollars.⁸¹ On the other hand, United States exports to China declined from 69 million dollars in 1934 to 38 millions in 1935,⁸² while British exports to China declined from £6,513,404 to £5,022,450 in these years.⁸³ In addition, smuggling sharply reduced the customs

77. For text, cf. *ibid.*, April 8, 1936.

78. *Ibid.*, April 28, 1936.

79. *New York Herald Tribune*, April 16, 1936.

80. Sterling Fisher, *New York Times*, June 7, 1936.

81. For Japan's legitimate exports to China in 1935, cf. *Monthly Circular* (Mitsubishi Economic Research Bureau, Tokyo), March 1936, p. 32.

82. *China Monthly Trade Report*, March 1, 1936, p. XIX.

83. *Trade and Navigation Accounts of the United Kingdom*, January 1936, p. 192.

revenues of Tientsin and other Chinese ports. Since much of the Chinese customs revenue services foreign loans, the Western powers were also faced with a serious threat to their loan and investment position in China. British and American protests on the smuggling issue, as well as protests by Nan-king, met with no satisfactory response at Tokyo.

During the last two weeks of May, with the arrival of additional Japanese troops at Tientsin, the political crisis in north China became even more acute. By early June the Japanese troops in the Peiping-Tientsin area had been increased from 2,000 to approximately 5,000. Several provocative "incidents" occurred, including a railway explosion near Tientsin. All the preliminaries for a renewed Japanese drive had been staged. On the political side, this drive proceeded under the banner of Hirota's three-point program: recognition of "Manchoukuo" by Nanking, suppression of anti-Japanese activities in China, and joint Sino-Japanese military action against communism.

The obstacles to such a drive, however, proved much more formidable than in June 1935. The customary official Chinese capitulation was barred by the anti-Japanese movement, which had gained added strength since the student uprisings in December. Attempts to crush the movement by official action had been unavailing. An emergency law issued at Nanking on February 20 had ordered Chinese troops and police to use "force or other effective means" in suppressing meetings, parades and propaganda activities "which aim to violate peace and order."⁸⁴ Continued anti-Japanese actions of the Peiping students had led to police raids on the universities and the arrest of hundreds of students, three of whom had died in jail.⁸⁵ Despite official repression, the movement had steadily broadened its scope, drawing people of all ranks into national liberation associations organized in Peiping, Tientsin, Shanghai, Canton and other cities. The operations of Chinese Communist troops in Shensi and Shansi provinces, coupled with united front offers to all forces giving resistance to Japan, added new strength to the movement in north China.⁸⁶ Firm popular opposition arose as soon as Japan's political drive was launched. The Japanese troop reinforcements were greeted with large protest demonstrations in Peiping and Tientsin. Officers of the Twenty-ninth

84. For text, cf. *News Bulletin* (Society of Friends of China, Shanghai), March 1, 1936, pp. 1-2.

85. For activities of the student movement since December 1935, cf. *China Weekly Review*, January 25, 1936, pp. 274-75; March 7, pp. 35-36; March 21, pp. 107-08; April 11, pp. 215-16; May 23, pp. 440-41; June 6, pp. 16-17; June 13, pp. 72-73.

86. Cf. Edgar Snow, "Mr. Hirota's Third Point," *Foreign Affairs*, July 1935, pp. 598-605.

Army of General Sung Cheh-yuan, head of the Hopei-Chahar Council, were reported to be demanding resistance to Japan.⁸⁷

The nation-wide influence exerted by the growing nationalist forces became apparent on June 2, when the Southwest Political Council—dominated by General Chen Chi-tang of Canton—issued a manifesto denouncing Japanese economic and military aggression, urging Nanking to wage a war of resistance against Japan, and pledging Cantonese support.⁸⁸ In Kwangtung and Kwangsi provinces, which are under the jurisdiction of the Southwest Political Council, anti-Japanese salvation forces were mobilized and advance guards entered Hunan province. This advance was brought to a halt by Chiang Kai-shek's rapid concentration of a large force of central government troops at Heng-chow, in central Hunan. Defection of Cantonese aviators and military leaders, bought off by Nanking's funds, led to Chen Chi-tang's retirement on July 18.⁸⁹ It remains to be seen whether Nanking's added strength, acquired by establishing its control over Kwangtung province, will induce Chiang Kai-shek to engage in serious resistance to Japan's encroachments.

CONCLUSION

Both on the internal and international fronts, the struggle in China is clearly approaching a climax. The Soviet Union's mutual assistance pact with Outer Mongolia has established a wall of defense along the frontiers of "Manchoukuo" which can be breached only at the risk of war. South of the Great Wall, Japan's steady political and economic penetration has already touched the nerve centers of British and American interests in China. Unified action by the Soviet Union, Britain and the United States, in the face of this common threat, has still not been achieved. Under these conditions, the forces which impel Japan along the path of "manifest destiny" are shaping the outlines of an ultimate clash with one or another of its major opponents. At the present time, the Chinese nationalist movement constitutes the most powerful barrier to Japan's advance. The growing strength of this movement, supplemented by concerted Anglo-American-Soviet action, holds out perhaps the last remaining possibility of halting Japan and enforcing a settlement that may yet check the drift toward war in the Far East.

87. *Christian Science Monitor*, June 1, 1936.

88. For text, cf. *China Weekly Review*, June 13, 1936, p. 44; cf. also statement by Li Tsung-jen, Kwangsi commander, *Living Age*, July 1936, pp. 384-89.

89. "Nanking Gains Control of Kwangtung," *Foreign Policy Bulletin*, July 24, 1936.